

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
NEW SHARON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Jimmah White	President	2007
Mike Bair	Vice President	2007
Duane White	Board Member	2005
Carrie Ferguson	Board Member	2006
Mike Boyle	Board Member	2005
<u>Board of Education</u>		
(After September 2005 Election)		
Jimmah White	President	2007
Mike Boyle	Vice President	2008
Mike Bair	Board Member	2007
Duane White	Board Member	2008
Carrie Ferguson	Board Member	2006
<u>School Officials</u>		
Randy Moffit	Superintendent	2006
Gloria Bartlett	District Secretary/Treasurer	2006
Sue Seitz	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Mahaska Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Mahaska Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2006 on our consideration of North Mahaska Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
September 22, 2006

# **North Mahaska Community School District**

## **Management's Discussion and Analysis**

For the Year Ending June 30, 2006

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2006. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The General Fund June 30, 2006, fund balance increased to \$603,277 from the June 30, 2005, fund balance of \$549,041. The increase resulted from making up the state's 2.25% across the board cut from the previous year through the cash reserve levy.
- The District's tax levy decreased by \$0.36 from \$13.03 to \$12.67. The decrease in the tax levy was due to the use of the cash reserve levy to make up the 2.25% state cut in the previous year. In addition, surplus SILO funds were used to lower the tax rate required to pay debt service requirements.
- Special education posted a positive balance for 2005-2006 of \$31,324. This was due to a higher weighted count in the previous year and the number of special education students served and tuitioned out in the 2005-06 school year.
- The District experienced an enrollment increase of 8 students over the previous year. Coupled with 4% allowable growth, the district did not need to utilize the budget guarantee.
- A new concrete parking lot surface was poured using up the money available from the SILO funds for projects other than debt service. The capital projects fund will build up again as revenues come back in during the next fiscal year.

## Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

## **District-Wide Financial Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).



The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the medical reimbursement fund.
- **Fiduciary funds:** The District is the trustee, of fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

### Net Assets.

Figure A-3 below provides a summary of the District's net assets for the year ending June 30, 2006, as compared to June 30, 2005.

**Figure A-3**

	2005 Governmental Activities	2005 Business-Type Activities	2005 Total	2006 Governmental Activities	2006 Business-Type Activities	2006 Total	Total Change 2005-2006
Current and Other Assets	3,084,897	36,115	3,121,012	2,940,944	36,779	2,977,723	-4.6%
Capital Assets	4,902,244	42,283	4,944,527	5,087,000	33,792	5,120,792	3.6%
<b>Total Assets</b>	<b>7,987,141</b>	<b>78,398</b>	<b>8,065,539</b>	<b>8,027,944</b>	<b>70,571</b>	<b>8,098,515</b>	0.4%
Long Term Debt Outstanding	2,783,116	0	2,783,116	2,498,412	0	2,498,412	-10.2%
Other Liabilities	1,669,689	0	1,669,689	1,607,014	0	1,607,014	-3.8%
<b>Total Liabilities</b>	<b>4,452,805</b>	<b>0</b>	<b>4,452,805</b>	<b>4,105,426</b>	<b>0</b>	<b>4,105,426</b>	-7.8%
<b>Net Assets</b>							
Invested In Capital Assets, Net of related debt	2,137,244	42,283	2,179,527	2,607,000	33,792	2,640,792	21.2%
Restricted	867,819	0	867,819	734,954	0	734,954	-15.3%
Unrestricted	529,273	36,115	565,388	580,564	36,779	617,343	9.2%
<b>Total Net Assets</b>	<b>3,534,336</b>	<b>78,398</b>	<b>3,612,734</b>	<b>3,922,518</b>	<b>70,571</b>	<b>3,993,089</b>	10.5%

The District's total net assets increased \$380,355 or 10.5% due to the fact that the District is basically maintaining its capital assets (3.6% increase) while significantly decreasing its long term debt (10.2% decrease). The district has used local option sales tax collections for both capital asset improvements and to help reduce the District's debt.

## Figure A-4

Figure A-4 shows the change in net assets for the year ended June 30, 2006, as compared to June 30, 2005.

	2005	2005	2005	2006	2006	2006
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	459,720	113,174	572,894	532,854	116,872	649,726
Operating grants, contributions & restricted interest	508,616	87,827	596,443	538,665	94,317	632,982
Capital grants, contributions and restricted interest	0	0	0	0	0	0
General revenues:						
Property Tax	1,796,367	0	1,796,367	1,750,326	0	1,750,326
Local option sales & service tax	451,765	0	451,765	436,758	0	436,758
Unrestricted state grants	1,809,227	0	1,809,227	1,940,329	0	1,940,329
Unrestricted investment earnings	26,082	748	26,830	53,063	1465	54,528
Other	1,086	0	1,086	6,453	0	6,453
<b>Total Revenues</b>	<b>5,052,863</b>	<b>201,749</b>	<b>5,254,612</b>	<b>5,258,448</b>	<b>212,654</b>	<b>5,471,102</b>
<b>Program Expenses:</b>						
Governmental activities						
Instruction	3,028,868	0	3,028,868	3,074,688	0	3,074,688
Support Services	1,183,430	0	1,183,430	1,339,056	0	1,339,056
Non-instructional	6,575	211,517	218,092	4,000	220,481	224,481
Other expenses	431,262	0	431,262	452,522	0	452,522
<b>Total Expenses</b>	<b>4,650,135</b>	<b>211,517</b>	<b>4,861,652</b>	<b>4,870,266</b>	<b>220,481</b>	<b>5,090,747</b>
<b>Change in net assets</b>	<b>402,728</b>	<b>(9,768)</b>	<b>392,960</b>	<b>388,182</b>	<b>(7,827)</b>	<b>380,355</b>

For the year ending June 30, 2006, property tax and unrestricted state grants account for 67% of the total revenue. Instruction and support services account for 87% of the total expenses.

## **Governmental Activities**

Revenues for governmental activities were \$5,258,448 and expenses were \$4,870,266. The District saw an increase in total net assets of \$388,182. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, a positive change in open enrollment revenues, and the collection of local option sales and service tax monies.

## **Business Type Activities**

Revenues for business type activities were \$212,654 and expenses were \$220,481. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income.

The District voted to increase meal prices for the 2006-07 school year to cover the rising expenses in the School Nutrition Fund.

## **Individual Fund Analysis**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,352,110 which is \$82,918 less than the balance of \$1,435,028 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2005, compared with where we were on June 30, 2006. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Fund Highlights**

### **General Operating Fund**

In the General Fund, we had revenues and other financing sources of \$4,257,397. We had expenditures and other financing uses of \$4,203,161. Therefore, we ended the year \$54,236 in the black. We started the year with a balance of \$549,041, so we ended the year with a balance of \$603,277. The increase was due predominantly to additional allowable growth, a cash reserve levy that replaced funds and a positive change in open enrollment revenues.

### **Management Fund**

In the Management Fund, we expended \$61,241 and had revenues of \$83,916 meaning we spent \$22,675 less than we received. Because we started the year with \$28,110, we ended the year with a balance of \$50,785. Approximately \$80,000 will be added to this fund through the Management Levy passed for this year's budget. This is an increase over past years to cover the rising cost of insurance and to make up for the ag land roll back. Money from this fund is spent on insurance (other than employee health) and unemployment claims. The balance in this account covers most of the insurance premiums that occur early in the school year, but it will go in the red until October tax receipts arrive.

### **Physical Plant and Equipment Levy (PPEL)**

In PPEL we expended \$65,550 and received \$45,904 meaning we were \$19,646 in the red. Since we started the year with \$56,509, we finished with a balance of \$36,863. We will continue to use PPEL to purchase school buses and small vehicles.

### **Capital Projects**

We started the year with a balance of \$499,631 in all capital projects funds. We have expended \$552,926 on various projects and on debt service. We have received \$453,264 during the past year. The balance is now \$399,969 ( a decrease of \$99,662). The decrease is due to expenditures of local option sales and service tax monies for debt service and buildings and grounds projects – in particular, the resurfacing of the north parking lot.

## **Activity Fund**

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$91,050. At the end of June, it was \$106,248. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black. However, the athletic fund, when taking all sports in consideration, finished in the black. There were some successful fund raisers and good attendance this past year that helped maintain a good balance.

## **Proprietary Fund Highlights**

### **Nutrition Fund**

The nutrition fund started the year with a balance of \$78,398. Revenues for the year totaled \$212,654 while expenditures totaled \$220,481 leaving a balance of \$70,571. Both revenues and expenditures were up from last year. This account has been doing well and supporting itself, but continues to lose money each year. The decrease in balance is due mainly to the increasing cost associated with running the nutrition program and the low prices being charged for lunches and breakfasts. Prices were increased for the 2006-07 school year.

## **Budgetary Highlights**

The District's local sources receipts were more than budgeted. The most significant variance resulted from the District receiving more in local option sales tax than originally anticipated and a positive change in open enrollment.

Total expenditures were less than budgeted, due primarily to the District budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. One exception occurred in 2005-06 because of the change in coding that resulted in the shifting of some funds from instruction to instructional support. The instructional support area went over budget because of this shift.

## **Capital Assets**

At June 30, 2006, the District had invested \$5,120,792, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$213,150.

The original cost of the District's capital assets was \$7,594,896. Of this amount \$165,918 was in the Proprietary, School Lunch Fund.

## **Long-Term Debt**

At June 30, 2006, the District had \$2,480,000 in general obligation bonds. This represents a decrease of approximately 10% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

## **Factors Bearing on the District's Future**

The District remains in sound financial condition at this point. The one cent option sales tax (SILO) will continue to be a big help for many projects. The general fund status improved due to an increase in enrollment, a positive change in open enrollment, and 4% allowable growth for the past year. Concerns still exist because of the uncertain status of the state, the rising costs of insurance, and predicted decreasing enrollment. However, we have had at least a temporary reprieve from tightening budgets, and the general fund carry over is still healthy for a district of our size and budget.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria Bartlett, Board Secretary, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

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## Basic Financial Statements

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,231,696	\$ 25,939	\$ 1,257,635
Receivables:			
Property tax:			
Current year	27,601	-	27,601
Succeeding year	1,526,204	-	1,526,204
Accrued interest	2,633	-	2,633
Accounts	2,394	-	2,394
Due from other governments	150,416	8,388	158,804
Inventories	-	2,452	2,452
Capital assets, net of accumulated depreciation (note 4)	5,087,000	33,792	5,120,792
Total assets	8,027,944	70,571	8,098,515
Liabilities			
Accounts payable	34,375	-	34,375
Salaries and benefits payable	8,825	-	8,825
Due to other governments	19,430	-	19,430
Accrued interest payable	18,180	-	18,180
Deferred revenue:			
Succeeding year property tax	1,526,204	-	1,526,204
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	295,000	-	295,000
Compensated absences	18,412	-	18,412
Portion due after one year:			
Bonds payable	2,185,000	-	2,185,000
Total liabilities	4,105,426	-	4,105,426

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,607,000	\$ 33,792	\$ 2,640,792
Restricted for:			
Management levy	50,785	-	50,785
Physical plant and equipment levy	36,863	-	36,863
Other special revenue purposes	106,248	-	106,248
Debt service	136,788	-	136,788
Capital projects	399,969	-	399,969
State grants	4,301	-	4,301
Unrestricted	580,564	36,779	617,343
Total net assets	\$ 3,922,518	\$ 70,571	\$ 3,993,089

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,994,606	\$ 221,107	\$ 216,602	\$ -
Special instruction	457,814	40,972	143,290	-
Other instruction	622,268	270,545	3,929	-
	<u>3,074,688</u>	<u>532,624</u>	<u>363,821</u>	<u>-</u>
Support services:				
Student services	106,464	-	-	-
Instructional staff services	144,781	-	-	-
Administration services	476,368	-	-	-
Operation and maintenance of plant services	321,952	230	-	-
Transportation services	289,491	-	12,687	-
	<u>1,339,056</u>	<u>230</u>	<u>12,687</u>	<u>-</u>
Non-instructional programs	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	32,649	-	-	-
Long-term debt interest and fiscal charges	115,372	-	-	-
AEA flowthrough	162,157	-	162,157	-
Depreciation (unallocated) *	142,344	-	-	-
	<u>452,522</u>	<u>-</u>	<u>162,157</u>	<u>-</u>
Total governmental activities	4,870,266	532,854	538,665	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>220,481</u>	<u>116,872</u>	<u>94,317</u>	<u>-</u>
Total	<u>\$ 5,090,747</u>	<u>\$ 649,726</u>	<u>\$ 632,982</u>	<u>\$ -</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,556,897)	\$ -	\$ (1,556,897)
(273,552)	-	(273,552)
(347,794)	-	(347,794)
(2,178,243)	-	(2,178,243)
(106,464)	-	(106,464)
(144,781)	-	(144,781)
(476,368)	-	(476,368)
(321,722)	-	(321,722)
(276,804)	-	(276,804)
(1,326,139)	-	(1,326,139)
(4,000)	-	(4,000)
(32,649)	-	(32,649)
(115,372)	-	(115,372)
-	-	-
(142,344)	-	(142,344)
(290,365)	-	(290,365)
(3,798,747)	-	(3,798,747)
-	(9,292)	(9,292)
(3,798,747)	(9,292)	(3,808,039)

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 1,562,360	\$ -	\$ 1,562,360
142,391	-	142,391
45,575	-	45,575
436,758	-	436,758
1,940,329	-	1,940,329
53,063	1,465	54,528
6,453	-	6,453
<u>4,186,929</u>	<u>1,465</u>	<u>4,188,394</u>
388,182	(7,827)	380,355
<u>3,534,336</u>	<u>78,398</u>	<u>3,612,734</u>
<u>\$ 3,922,518</u>	<u>\$ 70,571</u>	<u>\$ 3,993,089</u>

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and pooled investments	\$ 555,282	\$ 331,774	\$ 344,640	\$ 1,231,696
Receivables:				
Property tax:				
Current year	23,377	-	4,224	27,601
Succeeding year	1,328,787	-	197,417	1,526,204
Accrued interest	2,633	-	-	2,633
Accounts	2,394	-	-	2,394
Due from other governments	77,165	73,251	-	150,416
	<u>1,989,638</u>	<u>405,025</u>	<u>546,281</u>	<u>2,940,944</u>
Total assets	\$ 1,989,638	\$ 405,025	\$ 546,281	\$ 2,940,944
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 29,319	\$ 5,056	\$ -	\$ 34,375
Salaries and benefits payable	8,825	-	-	8,825
Due to other governments	19,430	-	-	19,430
Deferred revenue:				
Succeeding year property tax	1,328,787	-	197,417	1,526,204
Total liabilities	1,386,361	5,056	197,417	1,588,834
Fund balance:				
Reserved for:				
State grants	4,301	-	-	4,301
Debt service	-	-	154,968	154,968
Unreserved:				
Designated for cash flows	180,000			180,000
Reported in nonmajor Special Revenue Funds	-	-	193,896	193,896
Undesignated	418,976	399,969	-	818,945
Total fund balances	603,277	399,969	348,864	1,352,110
Total liabilities and fund balances	\$ 1,989,638	\$ 405,025	\$ 546,281	\$ 2,940,944

See notes to financial statements.



NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2006

Total fund balances of governmental funds	\$ 1,352,110
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,087,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(18,180)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,498,412)</u>
Net assets of governmental activities	<u>\$ 3,922,518</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,481,443	\$ 436,758	\$ 267,787	\$ 2,185,988
Tuition	236,039	-	-	236,039
Other	64,612	16,506	279,833	360,951
State sources	2,305,862	-	167	2,306,029
Federal sources	169,241	-	-	169,241
Total revenues	4,257,197	453,264	547,787	5,258,248
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,992,884	-	4,000	1,996,884
Special instruction	457,814	-	-	457,814
Other instruction	352,760	-	259,297	612,057
	2,803,458	-	263,297	3,066,755
Support services:				
Student services	106,314	-	150	106,464
Instructional staff services	144,631	-	150	144,781
Administration services	463,628	-	13,006	476,634
Operation and maintenance of plant services	290,483	-	92,181	382,664
Transportation services	232,020	-	13,304	245,324
	1,237,076	-	118,791	1,355,867
Non-instructional programs	-	-	4,000	4,000
Other expenditures:				
Facilities acquisition	-	350,575	-	350,575
Long term debt:				
Principal	-	-	285,000	285,000
Interest and fiscal charges	-	-	117,012	117,012
AEA flowthrough	162,157	-	-	162,157
	162,157	350,575	402,012	914,744
Total expenditures	4,202,691	350,575	788,100	5,341,366
Excess (deficiency) of revenues over (under) expenditures	54,506	102,689	(240,313)	(83,118)

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 200	\$ -	\$ -	\$ 200
Interfund transfers in	-	-	202,821	202,821
Interfund transfers out	(470)	(202,351)	-	(202,821)
Total other financing sources (uses)	<u>(270)</u>	<u>(202,351)</u>	<u>202,821</u>	<u>200</u>
Net change in fund balances	54,236	(99,662)	(37,492)	(82,918)
Fund balances beginning of year	<u>549,041</u>	<u>499,631</u>	<u>386,356</u>	<u>1,435,028</u>
Fund balances end of year	<u>\$ 603,277</u>	<u>\$ 399,969</u>	<u>\$ 348,864</u>	<u>\$ 1,352,110</u>

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (82,918)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 389,415	
Depreciation expense	<u>(204,659)</u>	184,756

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 285,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,640

Some expenses reported in the Statement of Activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (296)

Change in net assets of governmental activities \$ 388,182

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2006

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
	<u>                    </u>	<u>                    </u>
Assets		
Cash and cash equivalents	\$ 25,939	\$ 3,652
Due from other governments	8,388	-
Inventories	2,452	-
Capital assets, net of accumulated depreciation	<u>33,792</u>	<u>-</u>
Total assets	<u>70,571</u>	<u>3,652</u>
Liabilities		
None	<u>-</u>	<u>-</u>
Net Assets		
Invested in capital assets	33,792	-
Unrestricted	<u>36,779</u>	<u>3,652</u>
Total net assets	<u>\$ 70,571</u>	<u>\$ 3,652</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 116,872	\$ 31,916
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	76,953	-
Benefits	37,564	-
Purchased services	4,909	-
Supplies	92,564	-
Depreciation	8,491	-
Other	-	29,802
	<u>220,481</u>	<u>29,802</u>
Operating income (loss)	<u>(103,609)</u>	<u>2,114</u>
Non-operating revenues:		
Interest on investments	1,465	-
State sources	3,420	-
Federal sources	90,897	-
Total non-operating revenues	<u>95,782</u>	<u>-</u>
Change in net assets	(7,827)	2,114
Net assets beginning of year	<u>78,398</u>	<u>1,538</u>
Net assets end of year	<u>\$ 70,571</u>	<u>\$ 3,652</u>

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 114,011	\$ -
Cash received from miscellaneous operating activities	2,861	31,916
Cash payments to employees for services	(114,517)	-
Cash payments to suppliers for goods or services	<u>(84,650)</u>	<u>(29,802)</u>
Net cash provided by (used by) operating activities	<u>(82,295)</u>	<u>2,114</u>
Cash flows from non-capital financing activities:		
State grants received	3,420	-
Federal grants received	<u>70,724</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>74,144</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,465</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(6,686)	2,114
Cash and cash equivalents beginning of year	<u>32,625</u>	<u>1,538</u>
Cash and cash equivalents end of year	<u>\$ 25,939</u>	<u>\$ 3,652</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (103,609)	\$ 2,114
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	8,491	-
Commodities used	11,785	-
Decrease in inventories	<u>1,038</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (82,295)</u>	<u>\$ 2,114</u>
Non-cash investing, capital and financing activities:		
During the year ended June 30, 2006, the District received \$11,785 of federal commodities.		

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>257,092</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>257,092</u></u>
See notes to financial statements.	



NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2006

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 3,250	
Interest	<u>10,987</u>	
Total additions	<u>14,237</u>	
Deductions:		
Support services:		
Scholarships awarded		9,550
Loss on value of investments		<u>12,121</u>
Total deductions		<u>21,671</u>
Change in net assets		(7,434)
Net assets beginning of year		<u>264,526</u>
Net assets end of year	\$	<u><u>257,092</u></u>
See notes to financial statements.		

# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### Note 1. Summary of Significant Accounting Policies

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa, and agricultural territory in Mahaska and Poweshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Cafeteria Benefits Fund is used to account for the cafeteria benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for hourly employees, which are payable in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2006 are as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust -	
Diversified Portfolio	\$ 545,919
Money Market Mutual Fund	16,576
Government Securities Mutual Funds	<u>237,766</u>
	<u>\$ 800,261</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The money market mutual fund and government securities mutual funds are stated at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust, money market mutual fund, and government securities mutual funds were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Student Activity	General	\$ 470
Debt Service	Capital Projects	<u>202,351</u>
Total		<u>\$ 202,821</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,250	\$ -	\$ -	\$ 95,250
Construction in progress	49,739	-	49,739	-
Total capital assets not being depreciated	<u>144,989</u>	<u>-</u>	<u>49,739</u>	<u>95,250</u>
Capital assets being depreciated:				
Buildings	5,480,713	175,012	-	5,655,725
Improvements other than buildings	601,175	192,653	-	793,828
Furniture and equipment	857,492	71,489	44,806	884,175
Total capital assets being depreciated	<u>6,939,380</u>	<u>439,154</u>	<u>44,806</u>	<u>7,333,728</u>
Less accumulated depreciation for:				
Buildings	1,180,205	116,375	-	1,296,580
Improvements other than buildings	396,433	31,708	-	428,141
Furniture and equipment	605,487	56,576	44,806	617,257
Total accumulated depreciation	<u>2,182,125</u>	<u>204,659</u>	<u>44,806</u>	<u>2,341,978</u>
Total capital assets being depreciated, net	<u>4,757,255</u>	<u>234,495</u>	<u>-</u>	<u>4,991,750</u>
Governmental activities capital assets, net	<u>\$ 4,902,244</u>	<u>\$ 234,495</u>	<u>\$ 49,739</u>	<u>\$ 5,087,000</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 165,918	\$ -	\$ -	\$ 165,918
Less accumulated depreciation	123,635	8,491	-	132,126
Business-type activities capital assets, net	<u>\$ 42,283</u>	<u>\$ 8,491</u>	<u>\$ -</u>	<u>\$ 33,792</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

        Regular

\$ 3,661

        Other

10,211

    Support services:

        Operation and maintenance of plant services

2,837

        Transportation

45,606

62,315

Unallocated depreciation

142,344

Total governmental activities depreciation expense

\$ 204,659

Business-type activities:

    Food service operations

\$ 8,491

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 2,765,000	\$ 18,116	\$ 2,783,116
Additions	-	18,412	18,412
Reductions	285,000	18,116	303,116
Balance end of year	<u>\$ 2,480,000</u>	<u>\$ 18,412</u>	<u>\$ 2,498,412</u>
Due within one year	<u>\$ 295,000</u>	<u>\$ 18,412</u>	<u>\$ 313,412</u>

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 295,000	\$ 106,472	\$ 401,472
2008	305,000	94,975	399,975
2009	320,000	82,364	402,364
2010	330,000	68,381	398,381
2011	345,000	53,667	398,667
2012	355,000	37,941	392,941
2013	100,000	24,530	124,530
2014	100,000	19,855	119,855
2015	110,000	14,960	124,960
2016	110,000	9,598	119,598
2017	110,000	4,125	114,125
	<u>\$ 2,480,000</u>	<u>\$ 516,868</u>	<u>\$ 2,996,868</u>

During the year ended June 30, 2006, the District retired \$285,000 of bonds.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly payments of \$1,910 during the term of the lease.

The total annual lease payments under the lease agreement are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Copiers</u>
2007	\$ <u><u>13,370</u></u>

Total payments under the lease agreement for the year ended June 30, 2006 were \$22,890.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$146,107, \$141,059, and \$140,868 respectively, equal to the required contributions for each year.

Note 8. Risk Management

North Mahaska Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery was equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$451,129.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

North Mahaska Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$162,157 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingency

The District has two ongoing lawsuits. The proceedings are still in the litigation stage and the outcomes can not be determined at this time.

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## Required Supplementary Information

# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>RECEIPTS:</b>					
Local sources	\$ 2,743,216	\$ 118,337	\$ 2,861,553	\$ 2,818,701	\$ 42,852
State sources	2,308,719	3,420	2,312,139	2,365,593	(53,454)
Federal sources	172,468	82,509	254,977	247,000	7,977
Total receipts	5,224,403	204,266	5,428,669	5,431,294	(2,625)
<b>DISBURSEMENTS:</b>					
Instruction	3,051,675	-	3,051,675	3,321,926	270,251
Support services	1,371,191	-	1,371,191	1,342,304	(28,887)
Non-instructional programs	4,000	210,952	214,952	231,347	16,395
Other expenditures	913,145	-	913,145	1,327,126	413,981
Total disbursements	5,340,011	210,952	5,550,963	6,222,703	671,740
Excess (deficiency) of receipts over (under) disbursements	(115,608)	(6,686)	(122,294)	(791,409)	669,115
Other financing sources, net	200	-	200	-	200
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(115,408)	(6,686)	(122,094)	(791,409)	669,315
Balance beginning of year	1,347,104	32,625	1,379,729	1,487,296	(107,567)
Balance end of year	\$ <u>1,231,696</u>	\$ <u>25,939</u>	\$ <u>1,257,635</u>	\$ <u>695,887</u>	\$ <u>561,748</u>

See accompanying independent auditor's report.



# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

Governmental Funds			
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,224,403	\$ 33,845	\$ 5,258,248
Expenditures	5,340,011	1,355	5,341,366
Net	(115,608)	32,490	(83,118)
Other financing sources (uses)	200	-	200
Beginning fund balances	1,347,104	87,924	1,435,028
Ending fund balances	<u>\$ 1,231,696</u>	<u>\$ 120,414</u>	<u>\$ 1,352,110</u>
Proprietary Fund			
	Cash Basis	Enterprise Accrual Adjust- ments	Accrual Basis
Revenues	\$ 204,266	\$ 8,388	\$ 212,654
Expenses	210,952	9,529	220,481
Net	(6,686)	(1,141)	(7,827)
Beginning net assets	32,625	45,773	78,398
Ending net assets	<u>\$ 25,939</u>	<u>\$ 44,632</u>	<u>\$ 70,571</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

## Other Supplementary Information

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 49,524	\$ 106,248	\$ 36,145	\$ 152,723	\$ 344,640
Receivables:					
Property tax:					
Current year	1,261	-	718	2,245	4,224
Succeeding year	68,960	-	40,296	88,161	197,417
Total assets	<u>\$ 119,745</u>	<u>\$ 106,248</u>	<u>\$ 77,159</u>	<u>\$ 243,129</u>	<u>\$ 546,281</u>
Liabilities and Fund Equity					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 68,960	\$ -	\$ 40,296	\$ 88,161	\$ 197,417
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	154,968	154,968
Unreserved:					
Undesignated	50,785	106,248	36,863	-	193,896
Total fund equity	<u>50,785</u>	<u>106,248</u>	<u>36,863</u>	<u>154,968</u>	<u>348,864</u>
Total liabilities and fund equity	<u>\$ 119,745</u>	<u>\$ 106,248</u>	<u>\$ 77,159</u>	<u>\$ 243,129</u>	<u>\$ 546,281</u>

See accompanying independent auditor's report.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 79,938	\$ -	\$ 45,547	\$ 142,302	\$ 267,787
Other	3,928	274,025	329	1,551	279,833
State sources	50	-	28	89	167
Total revenues	83,916	274,025	45,904	143,942	547,787
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,000	-	-	-	4,000
Other instruction	-	259,297	-	-	259,297
Support services:					
Student services	150	-	-	-	150
Instructional staff services	150	-	-	-	150
Administration services	13,006	-	-	-	13,006
Operation and maintenance of plant services	26,631	-	65,550	-	92,181
Transportation services	13,304	-	-	-	13,304
Non instructional programs	4,000	-	-	-	4,000
Other expenditures:					
Long term debt:					
Principal	-	-	-	285,000	285,000
Interest and fiscal charges	-	-	-	117,012	117,012
Total expenditures	61,241	259,297	65,550	402,012	788,100
Excess (deficiency) of revenues over (under) expenditures	22,675	14,728	(19,646)	(258,070)	(240,313)
Other financing sources:					
Interfund transfers in	-	470	-	202,351	202,821
Net change in fund balances	22,675	15,198	(19,646)	(55,719)	(37,492)
Fund balances beginning of year	28,110	91,050	56,509	210,687	386,356
Fund balances end of year	\$ 50,785	\$ 106,248	\$ 36,863	\$ 154,968	\$ 348,864

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Change	\$ -	\$ 600	\$ 600	\$ -
Speech	934	-	66	868
Vocal	3,207	1,870	1,870	3,207
Instrumental	(346)	7,222	5,454	1,422
Flags	111	-	-	111
Music Resale - Elem.	78	1,312	1,272	118
Cleaning	3,244	697	222	3,719
Annual	(128)	3,370	7,716	(4,474)
FFA	4,758	24,032	20,144	8,646
Student Council	2,483	468	798	2,153
Interest	2,709	3,480	375	5,814
Pictures	593	458	201	850
Prom Party	1,237	5,444	5,178	1,503
Miscellaneous	929	355	398	886
School Fund/Concessions	(272)	22,322	12,717	9,333
National Honor Society	279	-	70	209
Volleyball/Coach	496	1,332	774	1,054
Football/Coach	1,460	635	1,569	526
Wrestling/Coach	1,219	-	40	1,179
Girls Basketball/Coach	1,290	76	298	1,068
Boys Basketball/Coach	518	-	408	110
B/G Golf/Coach	851	-	125	726
Girls Track/Coach	959	-	357	602
Boys Track/Coach	438	-	333	105
Graduates	-	-	24	(24)
Seniors	17	17,942	23,486	(5,527)
Juniors	2,185	12,751	6,939	7,997
Sophomores	744	727	-	1,471
Freshmen	635	195	-	830
8th Grade	365	200	-	565
7th Grade	182	160	-	342
Elem. Miscellaneous	12,090	19,675	14,788	16,977
Outdoor Classroom	1,477	-	1,000	477
Elem. Science Club	850	760	-	1,610
Elem. Pop	143	1,548	1,784	(93)
Elem. Basketball	664	-	-	664
Pop	5,993	5,392	5,940	5,445
Miscellaneous Athletics	25,464	125,249	131,100	19,613
Cheerleaders	1,094	2,242	1,585	1,751
Lock	70	-	-	70
Softball Concessions	5,500	5,359	5,919	4,940

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Baseball Concessions	\$ 6,325	\$ 7,373	\$ 4,311	\$ 9,387
Student Trainers	205	1,249	1,436	18
Total	\$ 91,050	\$ 274,495	\$ 259,297	\$ 106,248

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,185,988	\$ 2,246,991	\$ 2,230,456	\$ 2,246,711
Tuition	236,039	152,012	165,222	165,503
Other	360,951	334,615	306,186	328,707
State sources	2,306,029	2,136,469	1,986,351	2,110,772
Federal sources	169,241	182,276	158,670	145,474
Total revenues	<u>\$ 5,258,248</u>	<u>\$ 5,052,363</u>	<u>\$ 4,846,885</u>	<u>\$ 4,997,167</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,996,884	\$ 1,902,927	\$ 1,906,729	\$ 1,871,558
Special instruction	457,814	488,209	506,763	485,392
Other instruction	612,057	626,471	508,171	550,928
Support services:				
Student services	106,464	105,674	103,027	99,394
Instructional staff services	144,781	45,525	45,545	53,845
Administration services	476,634	435,102	445,836	456,026
Operation and maintenance of plant services	382,664	313,864	315,983	297,915
Transportation services	245,324	254,032	355,296	222,324
Non-instructional programs	4,000	6,575	5,000	3,632
Other expenditures:				
Facilities acquisition	350,575	104,947	122,873	103,566
Long-term debt:				
Principal	285,000	285,000	265,000	245,000
Interest and fiscal charges	117,012	126,498	134,523	153,808
AEA flowthrough	162,157	153,340	155,455	166,524
Total expenditures	<u>\$ 5,341,366</u>	<u>\$ 4,848,164</u>	<u>\$ 4,870,201</u>	<u>\$ 4,709,912</u>

See accompanying independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Mahaska Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about North Mahaska Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
September 22, 2006

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, posting of the cash receipts to the cash receipts journal, signing of checks, recording of disbursements, and preparing the bank reconciliation were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Our limited number of business office employees does not allow us to completely segregate duties, however, we will investigate available alternatives and implement where possible.

Conclusion – Response accepted.

I-B-06 Bank Reconciliations – We noted that bank reconciliations for the Special Revenue, Student Activity Fund and the School Nutrition Fund were not reconciled to the general ledger. We noted that corrections for prior year differences for both accounts had not yet been recorded.

Recommendation – All bank accounts should be reconciled and tied to the general ledger as soon as possible after receiving the bank statement. Any differences should be resolved as soon as possible. This allows the District to timely detect errors or omissions and more accurately monitor inflows and outflows.

Response – Bank reconciliations for all accounts will be done monthly and tied to the general ledger in the future.

Conclusion – Response accepted.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, exceeded the amount budgeted in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

- II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.

- II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-06 Financial Condition – We noted that the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts.

Recommendation – The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the condition and is making strides to eliminate deficit accounts.

Conclusion – Response accepted.

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